SENATE BILL No. 518

DIGEST OF INTRODUCED BILL

Citations Affected: IC 1-1-3.5-3; IC 2-2.1; IC 4-10-21-0.5; IC 4-13-2-18; IC 6-1.1-17.5.

Synopsis: State and local spending caps. Provides a control on state expenditures for state fiscal years beginning after June 30, 2009, that is based on the changes in: (1) the population of Indiana; and (2) the consumer price index for the midwest region for all items as published by the Bureau of Labor Statistics. Requires the budget agency to determine and publish the spending cap amounts in the Indiana Register. Provides for emergency expenditures. Requires that the digest of a budget bill or a conference committee report on a budget bill contain certain information concerning state appropriations and expenditures. Provides that current law concerning business cycle state spending controls expires June 30, 2009. Provides a control on the expenditures of political subdivisions for local fiscal years beginning after December 31, 2009, that is based on the changes in: (1) the population of the geographical territory of the political subdivision; and (2) the consumer price index for the midwest region for all items.

Effective: July 1, 2009.

Delph

January 15, 2009, read first time and referred to Committee on Tax and Fiscal Policy.

Introduced

First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

SENATE BILL No. 518

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 1-1-3.5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 3. (a) For purposes of the statutes described in section 5(c) of this chapter, a reference to population is a reference to population as determined by the most recent of the following:

(1) Federal decennial census.
(2) Federal special census.
(3) Special tabulation.
(4) Corrected population count.

(b) For purposes of statutes relating to drawing boundaries of county executive districts, county fiscal body districts, municipal legislative body districts, or the districts of any other political subdivision, a reference to population is a reference to population as determined by the most recent of the following:

(1) Federal decennial census.
(2) Federal special census.
(3) Special tabulation.

(4) Corrected population count.

(c) For purposes of a noncode statute, a reference to population is the population determined by the most recent federal decennial census in effect before the passage of the statute, unless the population description in the statute is changed by subsequent legislation.

(d) For purposes of IC 2-2.1-4 and IC 6-1.1-17.5, a reference to population is the population as determined by the most recent of the following:

(1) Federal decennial census.
(2) Federal special census.
(3) Special tabulation.
(4) Corrected population count.
(5) Mid-decade census conducted under 13 U.S.C. 141.
(6) Annual and interim current data on population prepared under 13 U.S.C. 181.

~~(d)~~ **(e)** For purposes of statutes not described in subsection (a), (b), ~~or~~ (c), **or (d),** a reference to population is the population determined by the most recent federal decennial census in effect, unless the statute specifically provides otherwise.

~~(e)~~ **(f)** This subsection applies to a political subdivision located in more than one (1) county. If a political subdivision is described in a statute by reference to the county in which the political subdivision is located, the reference is to the county that contains a majority of the population of the political subdivision.

~~(f)~~ **(g)** The effective date of each:

(1) federal decennial census;
(2) federal special census;
(3) special tabulation; or
(4) corrected population count;

is April 1 of the calendar year following the year in which the tabulation of population or corrected population count is delivered to the state by the United States Secretary of Commerce under 13 U.S.C. 141 and received by the governor.

~~(g)~~ **(h)** Promptly upon receiving the tabulation of population or corrected population count, the governor shall issue an executive order:

(1) evidencing the date of receipt; and
(2) noting that the effective date of the tabulation of population or corrected population count for purposes of any statute described in this section is April 1 of the following year.

SECTION 2. IC 2-2.1-4 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]:

Chapter 4. General Expenditure Controls

Sec. 1. This chapter applies to expenditures made in a state fiscal year beginning after June 30, 2009.

Sec. 2. As used in this chapter, "budget period" means a biennium beginning July 1 of an odd-numbered year.

Sec. 3. As used in this chapter, "composite percentage change" for a geographic region for a period means the sum of:

(1) the percentage change in inflation for the period; plus

(2) the percentage change in population for the geographic region for the period.

Sec. 4. As used in this chapter, "expenditure" refers to an expenditure payable from state revenues to:

(1) obtain an asset or service;

(2) reduce a liability; or

(3) make an intergovernmental transfer to a state educational institution, political subdivision, instrumentality of a political subdivision, pension fund, trust, or other instrumentality of the state.

The term does not include a refund for an overpayment of taxes or fees or other return of a surplus to taxpayers. An expenditure occurs on the earlier of the date that an amount is encumbered for payment of the expenditure or a warrant is issued for the expenditure.

Sec. 5. As used in this chapter, "inflation proxy" means the Consumer Price Index for All Urban Consumers (CPI-U) for the Midwest Region for all items, index base period 1982-1984 (equal to 100), as published by the Bureau of Labor Statistics of the United States Department of Labor. This definition is not invalidated if the Bureau of Labor Statistics changes the index base period, but continues to refer to the CPI-U for the Midwest Region for all items with the revised index base period.

Sec. 6. As used in this chapter, "percentage change in inflation" for a period means the difference of:

(1) the quotient of:

(A) the value of the inflation proxy at the end of the period; divided by

(B) the value of the inflation proxy at the beginning of the period, adjusted if necessary to account for changes in the base value of the inflation proxy made during the period; minus

(2) one (1).

Sec. 7. As used in this chapter, "percentage change in

population" for a geographic region for a period means the difference of:

(1) the quotient of:

(A) the population count for the geographic region at the end of the period; divided by

(B) the population count for the geographic region at the beginning of the period; minus

(2) one (1).

Sec. 8. As used in this chapter, "political subdivision" has the meaning set forth in IC 36-1-2-13.

Sec. 9. As used in this chapter, "population count" refers to the population of a geographic region for the date or period used in a calculation under this chapter.

Sec. 10. As used in this chapter, "state revenues" refers to money received for deposit in the state treasury that is from any of the following sources:

(1) Taxes.

(2) Intergovernmental transfers from a political subdivision.

(3) Lease or sale of property.

(4) Fees.

Sec. 11. As used in this chapter, "state spending cap" for a state fiscal year refers to the limit on expenditures determined under section 13 of this chapter.

Sec. 12. The state may not make expenditures for a state fiscal year from state revenues that, in the aggregate, exceed the state spending cap for the state fiscal year.

Sec. 13. (a) The state spending cap for the first state fiscal year in a budget period is the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine the spending cap for the state fiscal year beginning July 1 of the immediately preceding odd-numbered year. The result of this STEP for the state fiscal year beginning July 1, 2007, is the sum of the expenditures from appropriations made from state revenues for the state fiscal year beginning July 1, 2007.

STEP TWO: Determine the composite percentage change for Indiana for the period:

(A) beginning July 1 of the immediately preceding odd-numbered year; and

(B) ending on the last day of February of the current odd-numbered year.

STEP THREE: Multiply:

(A) the STEP TWO result; by
(B) six-fifths (6/5).
STEP FOUR: Add:
(A) one (1); plus
(B) the STEP THREE result.
STEP FIVE: Multiply:
(A) the STEP ONE result; by
(B) the STEP FOUR result.

(b) The state spending cap for the second state fiscal year in a budget period is the amount determined under STEP THREE of the following formula:
STEP ONE: Multiply:
(A) the subsection (a) STEP TWO result; by
(B) three-fifths (3/5).
STEP TWO: Add:
(A) one (1); plus
(B) the STEP ONE result.
STEP THREE: Multiply:
(A) the subsection (a) STEP FIVE result; by
(B) the STEP TWO result.

Sec. 14. The budget agency shall publish the state spending cap for each state fiscal year in the immediately succeeding budget period in the Indiana Register not later than April 1 of each odd-numbered year. However, in 2009, the state spending cap shall be published for the budget period beginning July 1, 2009, and ending June 30, 2011, as soon as practicable after April 29, 2009. Except for revisions to correct calculation errors, the state spending caps published under this subsection remain in effect for the duration of the corresponding budget period.

Sec. 15. Except as provided in sections 16, 17, and 20 of this chapter, the general assembly shall not appropriate, and the budget director may not allot, a total sum of expenditures in a state fiscal year that exceeds the state spending cap for that state fiscal year.

Sec. 16. (a) A permanent increase in the state spending cap may occur only if at least one (1) of the following occurs:
(1) A spending responsibility shifts from another level of government that is payable from state revenues.
(2) A spending responsibility shifts from a source of revenue other than state revenues to state revenues.
(3) There will be:
(A) an expansion of state services or intergovernmental

distributions that are payable from state revenue; and

(B) a tax increase or other action to increase state revenues to pay for the additional state services or intergovernmental distributions.

(b) An increase in the state spending cap described in subsection (a) requires the approval of a majority of all the members elected to the house of representatives and a majority of all the members elected to the senate for the session in which the increase is initially approved.

Sec. 17. The general assembly, in a regular session, may authorize an emergency appropriation that, when added to all other appropriations, will exceed the state spending cap for a state fiscal year by enacting a supplemental appropriations act and a joint resolution that contains all the statements described in section 18 of this chapter. A supplemental appropriations act must be approved by a majority of all the members elected to the house of representatives and a majority of all the members elected to the senate for the session in which the increase is initially approved.

Sec. 18. A joint resolution described in section 17 of this chapter must contain the following:

(1) A statement that all spending authorized in the act exceeds the limit of the state spending cap.

(2) A description of the amount of emergency expenditures and an explanation of the specific circumstances that created the need for a supplemental appropriation.

Sec. 19. Except as allowed in an emergency appropriation under section 17 of this chapter, all appropriations for expenditures for a state fiscal year, including continuing appropriations, are void if the total amount appropriated for expenditures exceeds the state spending cap for the state fiscal year. If the appropriations for a state fiscal year are voided under this section, the general assembly in a regular or special session may reappropriate an amount that does not exceed the amount allowed by the state spending cap under this chapter.

Sec. 20. (a) Subject to subsection (c), a permanent reduction in the state spending cap is mandatory whenever any of the following occurs:

(1) A spending responsibility payable from state revenues shifts to another level of government that will not receive an additional intergovernmental distribution of state revenues to pay for the additional spending responsibilities.

(2) A spending responsibility shifts from state revenues to

another source of revenue.

(3) State services or intergovernmental distributions that are payable from state revenue are reduced.

The state spending cap must be decreased by the amount of the shift or transfer.

(b) The budget agency shall determine the amount of the state spending cap reduction upon the recommendation of the budget committee by a simple majority vote.

(c) If the budget agency determines that:

(1) the amount of a state spending cap reduction required under subsection (a) is less than one-tenth of one percent (0.1%); or

(2) the mandatory downward adjustment for cause needs to be waived;

a state spending cap reduction must receive a unanimous recommendation from the budget committee to take effect.

SECTION 3. IC 2-2.1-5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]:

Chapter 5. Budget Bill Requirements

Sec. 1. This chapter applies to a budget bill enacted after June 30, 2009.

Sec. 2. As used in this chapter, "budget bill" refers to a bill for a law that contains appropriations exceeding fifty thousand dollars ($50,000) in the aggregate for all state fiscal years. A bill containing an appropriation that is not made in a definite amount or that is subject to augmentation shall be treated as a budget bill.

Sec. 3. As used in this chapter, "digest" refers to the description of the contents of a bill or a conference committee report that is located on:

(1) the cover page of a bill; or

(2) the first page of a conference committee report.

Sec. 4. As used in this chapter, "expenditure" has the meaning set forth in IC 2-2.1-4-4.

Sec. 5. As used in this chapter, "state revenues" has the meaning set forth in IC 2-2.1-4-10.

Sec. 6. The digest of a budget bill or a conference committee report on a budget bill must contain the following information:

(1) The total amount of appropriations from state revenues.

(2) The total amount of appropriations for expenditures subject to IC 2-2.1-4.

(3) The state spending cap for each state fiscal year covered

by the budget bill.

Sec. 7. A budget bill that does not comply with this chapter is void.

SECTION 4. IC 4-10-21-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: **Sec. 0.5. This chapter expires June 30, 2009.**

SECTION 5. IC 4-13-2-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 18. (a) For the purpose of the administration of the allotment system provided by this section, each fiscal year shall be divided into four (4) quarterly allotment periods, beginning respectively on the first day of July, October, January, and April. However, in any case where the quarterly allotment period is impracticable, the ~~state~~ budget director may prescribe a different period suited to the circumstances but not extending beyond the end of any fiscal year.

(b) Except as otherwise expressly provided in this section, the provisions of this chapter relating to the allotment system and to the encumbering of funds shall apply to appropriations and funds of all kinds, including standing or annual appropriations and dedicated funds, from which expenditures are to be made from time to time by or under the authority of any state agency. However, the provisions relating to the allotment system shall not apply to moneys made available for the purpose of conducting a postaudit of financial transactions of any state agency. Likewise, appropriations for construction or for the acquisition of real estate for public purposes may be exempted from the allotment system by the ~~state~~ budget director, but in such cases, ~~he~~ **the budget director** shall prescribe such regulations as will insure the proper application and encumbering of funds.

(c) No appropriation to any state agency shall become available for expenditure until:

(1) such state agency shall have submitted to the ~~state~~ budget agency a request for allotment, such request for allotment to consist of an estimate of the amount required for each activity and each purpose for which money is to be expended during the applicable allotment period; and

(2) such estimate contained in the request for allotment shall have been approved, increased, or decreased by the ~~state~~ budget director and funds allotted therefor as hereinafter provided.

The form of a request for allotment, including a request by hand, mail, facsimile transmission, or other electronic transmission, shall be prescribed by the ~~state~~ budget agency with the approval of the auditor of state and shall be submitted to them at least twenty-five (25) days prior to the beginning of the allotment period.

(d) Each request for allotment shall be reviewed by the ~~state~~ budget agency, and respective amounts therein shall be allotted for expenditure if:

(1) the estimate therein is within the terms of the appropriation as to amount and purpose, having due regard for the probable future needs of the state agency for the remainder of the fiscal year or other term for which the appropriation was made; and

(2) the agency contemplates expenditure of the allotment during the period.

Otherwise, the ~~state~~ budget agency shall modify the estimate so as to conform with the terms of the appropriation and the prospective needs of the state agency and shall reduce the amount to be allotted accordingly. The ~~state~~ budget agency shall act promptly upon all requests for allotment and shall notify every state agency of its allotments at least five (5) days before the beginning of each allotment period. The total amount allotted to any agency for the fiscal year or other term for which the appropriation was made shall not exceed the amount appropriated for such year or term.

(e) The ~~state~~ budget director shall also have authority at any time to modify or amend any allotment previously made by ~~him.~~ **the budget director.**

(f) In case the ~~state~~ budget director shall discover at any time that:

(1) the probable receipts from taxes or other sources for any fund will be less than were anticipated; and

(2) as a consequence the amount available for the remainder of the term of the appropriation or for any allotment period will be less than the amount estimated or allotted therefor;

~~he~~ **the budget director** shall, with the approval of the governor, and after notice to the state agency or agencies concerned, reduce the amount or amounts allotted or to be allotted so as to prevent a deficit.

(g) This subsection applies to state fiscal years beginning after June 30, 2009. The definitions in IC 2-2.1-4 apply throughout this subsection. Allotments for a state fiscal year that exceed the state spending cap are void. The budget agency shall allot money for an appropriation, including an appropriation that is not made in a specific amount, to provide that the total allotment for expenditures from controlled state funds in a state fiscal year does not exceed the state spending cap. If the budget director discovers that the projected expenditures for the remainder of a state fiscal year will probably exceed the state spending cap, the budget director shall, with the approval of the governor and after notice

to the state agency or agencies concerned, reduce the amount or amounts allotted or to be allotted to prevent a total allotment that exceeds the state spending cap.

~~(g)~~ **(h)** The ~~state~~ budget agency shall promptly transmit records of all allotments and modifications thereof to the auditor of state.

~~(h)~~ **(i)** The auditor of state shall maintain as a part of the central accounting system for the state, as hereinbefore provided, records showing at all times, by funds, accounts, and other pertinent classifications, the amounts appropriated, the estimated revenues, the actual revenues or receipts, the amounts allotted and available for expenditure, the total expenditures, the unliquidated obligations, actual balances on hand, and the unencumbered balances of the allotments for each state agency.

~~(i)~~ **(j)** No payment shall be made from any fund, allotment, or appropriation unless the auditor of state shall first certify that there is a sufficient unencumbered balance in such fund, allotment, or appropriation after taking into consideration all previous expenditures to meet the same. In the case of an obligation to be paid from federal funds, a notice of federal grant award shall be considered an appropriation against which obligations may be incurred, funds may be allotted, and encumbrances may be made.

~~(j)~~ **(k)** Every expenditure or obligation authorized or incurred in violation of the provisions of this chapter shall be void. Every payment made in violation of the provisions of this chapter shall be illegal, and every official authorizing or making such payment, or taking part therein, and every person receiving such payment, or any part thereof, shall be jointly and severally liable to the state for the full amount so paid or received. If any appointive officer or employee of the state shall knowingly incur any obligation or shall authorize or make any expenditure in violation of the provisions of this chapter, or take any part therein, it shall be ground for ~~his~~ **the officer's or employee's** removal by the officer appointing ~~him,~~ **the officer or employee,** and if the appointing officer be other than the governor and shall fail to remove such officer or employee, the governor may exercise such power of removal after giving notice of the charges and opportunity for hearing thereon to the accused officer or employee and to the officer appointing ~~him.~~ **the officer or employee.**

SECTION 6. IC 6-1.1-17.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]:

Chapter 17.5. Constraints on Budgets of Political Subdivisions

Sec. 1. This chapter applies to expenditures made by a political

subdivision, including any district (as defined in IC 6-1.1-21.2-5) in a budget year beginning after December 31, 2009.

Sec. 2. As used in this chapter, "budget year" refers to a calendar year for any political subdivision other than a political subdivision that adopts a budget for a state fiscal year, such as a school corporation.

Sec. 3. As used in this chapter, "composite percentage change" for a geographic region for a period means the sum of:

(1) the percentage change in inflation for the period; plus

(2) the percentage change in population for the geographic region for the period.

Sec. 4. As used in this chapter, "expenditure" refers to an expenditure payable from general revenues to:

(1) obtain an asset or service;

(2) reduce a liability; or

(3) make an intergovernmental transfer to another political subdivision an instrumentality of a political subdivision, a pension fund, a trust, or other instrumentality of the state.

The term does not include a refund for an overpayment of taxes or fees or other return of a surplus to taxpayers, or repayment of principal on debt. An expenditure occurs on the earlier of the date that an amount is encumbered for payment of the expenditure or a warrant is issued for the expenditure.

Sec. 5. As used in this chapter, "general revenue" refers to money received for deposit in the state treasury that is from any of the following sources:

(1) Taxes.

(2) Intergovernmental transfers from the state or another political subdivision.

(3) Lease or sale of property.

(4) Fees.

(5) Special assessments.

(6) Tax increment revenues derived from taxes imposed by another political subdivision or the state.

Sec. 6. As used in this chapter, "inflation proxy" means the Consumer Price Index for All Urban Consumers (CPI-U) for the Midwest Region for all items, index base period 1982-1984 (equal to 100), as published by the Bureau of Labor Statistics of the United States Department of Labor. This definition is not invalidated if the Bureau of Labor Statistics changes the index base period, but continues to refer to the CPI-U for the Midwest Region for all items with the revised index base period.

Sec. 7. As used in this chapter, "percentage change in inflation" for a period means the difference of:

(1) the quotient of:

(A) the value of the inflation proxy at the end of the period; divided by

(B) the value of the inflation proxy at the beginning of the period, adjusted if necessary to account for changes in the base value of the inflation proxy made during the period; minus

(2) one (1).

Sec. 8. As used in this chapter, "percentage change in population" for a geographic region for a period means the difference of:

(1) the quotient of:

(A) the population count for the geographic region at the end of the period; divided by

(B) the population count for the geographic region at the beginning of the period; minus

(2) one (1).

Sec. 9. As used in this chapter, "political subdivision" has the meaning set forth in IC 36-1-2-13.

Sec. 10. As used in this chapter, "spending cap" for a budget year of a political subdivision refers to the limit on expenditures determined under section 11 of this chapter.

Sec. 11. (a) This subsection applies to a political subdivision that has a budget year that is a calendar year. The spending cap for a political subdivision for a budget year is the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine the spending cap for the immediately preceding budget year. The result of this STEP for the budget year beginning January 1, 2009, is the sum of the expenditures made for the 2009 budget year from money appropriated from general revenue.

STEP TWO: Determine the composite percentage change for the geographic territory of the political subdivision for the nineteen (19) month period:

(A) beginning on January 1 of the second immediately preceding budget year; and

(B) ending on July 31 of the immediately preceding budget year.

STEP THREE: Multiply:

(A) the STEP TWO result; by

(B) twelve-nineteenths (12/19).
STEP FOUR: Add:
(A) one (1); plus
(B) the STEP THREE result.
STEP FIVE: Multiply:
(A) the STEP ONE result; by
(B) the STEP FOUR result.

(b) This subsection applies to a school corporation that uses a school year (as defined in IC 20-18-2-17) for the school corporation's budget year. Except as provided in subsection (c), the spending cap for the school corporation for a budget year is the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine the spending cap of the school corporation for the immediately preceding budget year. The result of this STEP for the budget year beginning July 1, 2008, is the sum of the expenditures made for the 2008-2009 budget year from money appropriated from general revenue.
STEP TWO: Determine the composite percentage change for the school district of the school corporation for the seventeen (17) month period:
(A) beginning on July 1 of the second immediately preceding budget year; and
(B) ending on November 30 of the immediately preceding budget year.
STEP THREE: Multiply:
(A) the STEP TWO result; by
(B) twelve-seventeenths (12/17).
STEP FOUR: Add:
(A) one (1); plus
(B) the STEP THREE result.
STEP FIVE: Multiply:
(A) the STEP ONE result; by
(B) the STEP FOUR result.

(c) If a school corporation changes the school corporation's budget year:
(1) from a school year to a calendar year; or
(2) from a calendar year to a school year;
in any calendar year, the spending cap of the school corporation for the initial budget year after the change occurs is equal to the spending cap of the school corporation for the calendar year in which the change occurs.

Sec. 12. Subject to section 18 of this chapter, the fiscal body of

a political subdivision shall not appropriate from general revenues a total sum of expenditures for the political subdivision's budget year that exceeds the political subdivision's spending cap for the budget year.

Sec. 13. Subject to section 18 of this chapter, a political subdivision shall not make expenditures for a budget year from general revenues that, in the aggregate, exceed the political subdivision's spending cap for the budget year.

Sec. 14. (a) An increase in a political subdivision's spending cap for a fiscal year may occur only if at least one (1) of the following occurs:

(1) A spending responsibility shifts from another level of government that is payable from general revenues.

(2) A spending responsibility shifts from a source of revenue other than general revenues to general revenues.

(3) There will be:

(A) an expansion of services, an increase in the territory or population served by a political subdivision through the annexation of territory, or an increase in intergovernmental distributions that are payable from general revenue and require additional expenditures; and

(B) a tax increase or other action to increase general revenues to pay for the additional services or intergovernmental distributions.

(4) A majority of the voters in the political subdivision vote in the affirmative to raise the spending cap for the political subdivision in a referendum conducted in conformity with law in which the public question specifically addresses the issue of whether and by how much the spending cap is to be raised.

(b) The amount of a political subdivision's spending cap increase under this section shall be determined by the department of local government finance. If an increase is approved in a referendum, the department of local government finance shall increase the spending cap by the amount approved in the referendum.

Sec. 15. (a) Subject to subsection (c), a permanent reduction in a political subdivision's spending cap is mandatory whenever any of the following occurs:

(1) A spending responsibility payable from general revenues shifts to another level of government that will not receive an additional intergovernmental distribution of general revenues to pay for the additional spending responsibilities.

(2) A spending responsibility shifts from general revenues to

another source of revenue.

(3) Services, the corporate boundaries of the political subdivision, or intergovernmental distributions that are payable from general revenue are reduced.

The spending cap must be decreased by the amount of the shift or transfer.

(b) The amount of the spending cap reduction shall be determined by the department of local government finance.

(c) If the department of local government finance determines that:

(1) the amount of a spending cap reduction required under subsection (a) is less than one-tenth of one percent (0.1%); or

(2) the mandatory downward adjustment for cause needs to be waived;

the department of local government finance may waive a spending cap reduction in part or in full.

Sec. 16. The department of local government finance shall determine the initial spending cap for a political subdivision that is formed after February 28, 2009.

Sec. 17. The department of local government finance shall determine the initial spending cap for the successor political subdivision that results from the consolidation of two (2) or more political subdivisions after February 28, 2009.

Sec. 18. If:

(1) general revenues of a political subdivision have been pledged to make lease payments or pay principal or interest on bonds or other debt instruments; and

(2) the amount of the political subdivision's spending cap for a budget year is insufficient to meet the debt or lease obligations of the political subdivision as they come due in that state fiscal year;

the department of local government finance shall grant a temporary, emergency increase in the spending caps applicable to the political subdivision upon petition and receipt from the political subdivision of sufficient information to determine the excess needed, as determined by the department of local government finance. The amount of the increase and the period in which the spending cap is increased must be sufficient to permit the political subdivision to pay its lease payments and debt service obligations, including the repayment of principal, as they come due.